

**LOUISIANA**

**DEPARTMENT OF INSURANCE**



**OFFICE OF PROPERTY AND CASUALTY**

**Rate and Rule Filing Handbook**

April 2010 Edition



## TABLE OF CONTENTS

<b>PURPOSE .....</b>	<b>1</b>
<b>AUTHORITY .....</b>	<b>1</b>
<b>DEFINITIONS .....</b>	<b>2</b>
<b>FILING PROCESSES .....</b>	<b>7</b>
Receipt of Filing	7
Filing Review	8
<b>PUTTING THE FILING PACKET TOGETHER.....</b>	<b>9</b>
All Filings - Minimum Requirements	9
Rate Revision	10
Rule Revision	18
Initial Rate and Rule Filing	19
<b>Filing ORganization Requirements</b>	<b>22</b>
Advisory Organizations	22
Initial License of a Rating Organization	22
Renewal of License for a Rating Organization	23
<b>Withdrawal instructions</b>	<b>24</b>
Insurer's Withdrawal from Market (Directive 201)	24
Withdrawal of Rates and Rules	25
<b>Merger, acquisition or company name change requirements</b>	<b>25</b>
Merger, Acquisition or Company Name Change	25
<b>Schedule and tier rating plan Requirements</b>	<b>25</b>
Schedule Rating Plan (Individual Risk Premium Modification Plan)	25
Tier Rating Plan	26
Multiple Company Tier Rating Plan	26
<b>Individual RIsK, Consent-to-Rate Filing Requirements</b>	<b>27</b>
Individual Risk Filing	27
Consent-to-Rate Filing	28
<b>Miscellaneous Filing Requirements</b>	<b>29</b>
A-Rated Programs	29
Installment Plan	30
Risk Purchasing Group	30
<b>ADDITIONAL USEFUL INFORMATION .....</b>	<b>32</b>

Title 22 Concordance Table	32
Public Records Requests	32
Filing Seminar	33
<b>LDOJ/OPC EXHIBITS AND COMPONENTS .....</b>	<b>33</b>
Cover Letter	33
Louisiana Experience Underlying Revision	34
Countrywide Experience Underlying Revision	35
Adoption of Loss Costs	35
Private Passenger Automobile Rating Illustration	35
Homeowners Rating Illustration	35
Louisiana Rate Revision Questionnaire	36
Louisiana Rate Revision Questionnaire by Territory	37
Louisiana Medical Malpractice Filing Questionnaire	37

## PURPOSE

This document is a consolidation of previously issued guidelines and instructions for rate and rule filings. It provides Property and Casualty (“P&C”) insurers with rate and/or rule filing requirements and outlines the review and/or approval process.

## AUTHORITY

Louisiana is a modified prior approval state. Most P&C rates and rules must be filed with the Office of Property & Casualty (OPC) before they can be used in this state. The statutes referenced below provide the basis of the OPC’s governing authority. Note that some pertinent statutes are not found in Louisiana Revised Statutes, Title 22 (the Louisiana Insurance Code) but, by express authorization from the appropriate authority, are enforced by the OPC and/or Louisiana Department of Insurance (LDOI).

- ◆ Chapter 4, Part 4, Subpart O of the Louisiana Insurance Code (L.R.S. 22:1 et seq.) establishes the authority of the Commissioner of Insurance to regulate rates and rules and provides for rate and rule regulation.
- ◆ L.R.S. 22:1451 states that the Commissioner of Insurance shall have the exclusive authority to accept, review and approve any application for insurance rates or rate changes for all lines of property and casualty insurance.
- ◆ L.R.S. 22:1452, states that the purpose of the Commissioner of Insurance in the regulation of rates and rules is to promote public welfare by regulating insurance rates, so that the rates shall not be excessive, inadequate, or unfairly discriminatory.
- ◆ L.R.S. 22:1456 sets forth the scope of the Commissioner of Insurance’s authority to regulate rates by line of business.
- ◆ L.R.S. 22:1464 provides that every insurer is subject to rate regulation and that every insurer shall file and support every manual premium, minimum premium, class rate, rating schedule, rating plan, rating rules, and every modification of any of the foregoing which the insurer proposes to use.
- ◆ DOI Regulation 42 (Louisiana Administrative Code, Title 37, Part XIII, Chapter 11, Section 1113) provides that every workers' compensation group self-insurance fund shall adhere to a uniform classification system, uniform experience rating plan, and manual rules approved by the Commissioner of Insurance. The Commissioner has delegated approval authority to the Office of Property and Casualty.

## DEFINITIONS

<b>A-Rates</b>	Rates that are not supported by loss experience statistics. The rates are based on the judgment of the underwriter on an individual risk basis. The rates can be written broadly (Example: "We intend to write this program on an "A" Rated basis") or with a guide that indicates specific premium for each coverage. If the company uses a guide, it must use the specific premium and cannot use a sliding range. Additionally, a company must actuarially support/justify the premiums indicated in the guide.
<b>Abeyance</b>	Occurs when a submitted prior approval filing has been set aside until all information needed to complete the review is made available by the filer to OPC staff.
<b>Act of Terrorism</b>	Those acts certified as such by the Secretary of the Treasury acting in conjunction with the Secretary of State and the Attorney General under the provisions of the Terrorism Risk Insurance Act of 2002. No act shall be certified by the Secretary as an act of terrorism if; (1) the act is committed as part of the course of a war declared by the Congress, except that this clause shall not apply with respect to a coverage for workers' compensation; or (2) property and casualty insurance losses resulting from the act, in the aggregate, do not exceed \$5,000,000.
<b>Action Letter</b>	A letter stating the disposition of a filing (i.e. approved, approved contingent upon form approval, acknowledged, disapproved, withdrawn, etc.)
<b>Advisory Organization</b>	Every group, association, or other organization of insurers, whether located within or outside this state, that assists insurers with the submission of rate/rule filings by collecting and furnishing of loss or expense statistics or by the submission of recommendations. An advisory organization does not make a rate filing on its behalf or on behalf of insurers.
<b>Agenda</b>	A report that can be generated from the Rate Filing Search located on the LDOI website that reflects: 1) the filings pending to date, 2) the filings submitted the previous week or 3) the filings acted on in the previous week.

<b>Certificate of Authority</b>	The license issued by the LDOI to an insurance company that allows it to conduct business in Louisiana.
<b>Certified Loss</b>	Loss resulting from a certified act of terrorism pursuant to the Federal Terrorism Risk Insurance Reauthorization Act of 2007.
<b>Classification</b>	The combining of risks into groups with the same general characteristics so that inherent differences in exposure to loss can be recognized for rating or underwriting purposes.
<b>Commissioner</b>	Commissioner of Insurance.
<b>Consent –to-Rate</b>	A procedure whereby a risk which is not acceptable at filed rates may be written at rates above those filed. The insured must sign a statement/letter consenting to the higher rates and provide a reason for the process used.
<b>Consent-to-Rate Letter</b>	A letter from an insured to the insurer requesting that a policy be written, at a specified premium, in accordance with the guidelines for that line of business.
<b>Deemer Period</b>	There is a forty-five (45) day waiting period from the time a rate or rule filing is received until the OPC must take action. Following this period, the filing may be considered approved unless disapproved.
<b>Effective Date</b>	The earliest date that an insurer may implement a new rate or rule filing. Under Prior Approval, the effective date must be at least forty-five (45) days after receipt of a complete filing. However, an insurer may request an earlier effective date.
<b>Filer</b>	An insurer or any other authorized entity that submits a filing for review and approval. With a letter of authority, an insurer can delegate its filing authority to a third party.
<b>Filing</b>	An application submitted to the LDOI OPC for the purpose of requesting the implementation of a rate and/or rule. This includes initial rates and rules, changes to previously approved rates and rules, and withdrawal of approved rates and rules.
<b>Filing Organization</b>	See Advisory Organization and Rating Organization

<b>Form</b>	Policy contracts used by insurers to transact the business of insurance.
<b>Form Filing</b>	Application by a filer for OPC approval of a form. This includes initial forms, changes to previously approved forms and withdrawal of approved forms.
<b>Insured loss (TRIA)</b>	Any loss resulting from an act of terrorism that is covered by primary or excess property and casualty insurance issued by an insurer if such loss (1) occurs within the United States; or (2) occurs to an air carrier (as defined in 40102 of title 49, United States Code), or to a United States flag vessel (or a vessel based principally in the United States, on which United States income tax is paid and whose insurance coverage is subject to regulation in the United States), regardless of where the loss occurs, or at the premises of any United States mission. Such loss includes losses that would result in an act of war, in the case of workers' compensation.
<b>Individual Risk Premium Modification Plan</b>	A limited set of rules used to adjust a rate to more accurately reflect an insured's risk. An individual risk premium modification plan contains specific risk characteristics, based on quantified differences from the average risk contemplated in the manual rate, for which judgment is allowed to adjust the manual rate. The adjustments are in the form of debits and credits, within certain bounds. Also referred to as a "schedule-rating plan".
<b>Individual Risk Rating Plan</b>	Rates and rules that are specific to a given risk. These particular rates and rules, are, usually, not contemplated by approved manual rates and rules.
<b>Installment Plan</b>	A billing or payment plan where an insured pays a premium in partial payments over the term of the policy. Often an additional nominal fee is charged to cover processing costs. [Also see Direct Billing]
<b>Judgment Rating Plan</b>	An underwriting methodology based on the best judgment of an underwriter to classify and rate a specific risk. This method of rating is <u>not</u> allowed in Louisiana for personal lines.
<b>Legal Counsel</b>	A DOI attorney who acts as a consultant to the OPC regarding specific filings or other legal matters.
<b>LDOI</b>	Louisiana Department of Insurance



<b>LIRC</b>	Louisiana Insurance Rating Commission
<b>L.R.S.</b>	Louisiana Revised Statutes.
<b>Modeling</b>	An actuarial tool used to price catastrophe exposure.
<b>Multiple Company-Rating Plan</b>	A rating scheme that provides different rate levels across multiple companies within a group of companies. There is no requirement that classification systems be identical across the companies. A multiple company-rating plan is not a tier-rating plan. [See tier-rating plan].
<b>Non-certified Act of Terrorism</b>	A violent act that is dangerous to human life, property or infrastructure that is committed by an individual or individuals and that appears to be part of an effort to coerce a civilian population or to influence the policy or affect the conduct of any government by coercion. Moreover, the act is not certified as a terrorist act pursuant to the Federal Terrorism Risk Insurance Reauthorization Act of 2007.
<b>Non-certified Loss</b>	A loss from what would otherwise be an act of terrorism except that it is not certified as such by the Secretary of the Treasury under the provisions of the Terrorism Risk Insurance Reauthorization Act of 2007.
<b>OPC</b>	The Office of Property and Casualty.
<b>Premium</b>	The amount assessed by an insurer as consideration for the purchase or continuance of insurance for a stated term; includes any assessment, membership, policy, survey, inspection, service or similar fee or charge. The determination of premium is based on OPC approved rules applied to approved rates.
<b>Rate</b>	The manual charge per unit of exposure used to determine premium. The manual charge includes (1) insured's losses and (2) insurer's expenses, profits and contingencies.
<b>Rate Capping</b>	The process of tempering the premium charged to individual policies so as to avoid large swings over time.
<b>Rate Filing Search Tool</b>	An LDOI search mechanism that allows the public and insurers to search for filings and to track the status of submitted filings.

<b>Rate Revision</b>	A request to change, add to, or remove rates or rate calculations previously approved by the OPC.
<b>Rating Organization</b>	A corporation, an unincorporated association, a partnership, or an individual, whether located within or outside this state, that submits an application to the OPC for licensure as a rating organization for such kinds of insurance, or subdivision, or class of risk, or a part or combination thereof as is specified in its application.
<b>Receipt Stamp</b>	An ink stamp containing the text <i>RECEIVED (date) LA. OFFICE OF PROPERTY AND CASUALTY</i> . The date of this stamp is the date used by the OPC for time sensitive demarcations, such as deemed effective dates.
<b>Risk Classification</b>	The combining of risks into groups with the same general characteristics so that inherent differences in exposure to loss can be recognized for rating or underwriting purposes.
<b>Risk Purchasing Group</b>	A group of persons or entities with similar or related business interest that is authorized by the LDOI to purchase liability insurance on a group basis for similar or related liability exposure
<b>Rule</b>	Instructions used to calculate premium for for an insured risk. These instructions would not include any changes in premium for a policyholder.
<b>Rule Revision</b>	A request to change, add to, or remove rules previously approved.
<b>Schedule Rating Plan</b>	A limited set of rules used to adjust a rate to accurately reflect an insured's risk. A schedule-rating plan contains specific risk characteristics, based on quantified differences from the average risk contemplated in the manual rate, for which judgment of the company is allowed to adjust the manual rate. The adjustments are in the form of debits and credits, within certain bounds. [Also see Individual Risk Rating]
<b>Tier-Rating Plan</b>	A rating plan that contains a single classification system with different rate levels. A tier-rating plan can be used and implemented between companies within a group of companies or within a single company. The OPC draws a clear distinction between the two types of tier-rating plans. [Also see Multiple

## Company Rating Plan]

**WCGSIF**

Workers' Compensation Group Self-Insurance Fund is an organized group of employers that form an association for the purpose of providing workers compensation insurance for all of its member employers.

**Wrap-Up**

An insurance policy that covers all liability exposure for a large group that has something in common. For example, wrap-up insurance can be written for all the various businesses working together on a special project, (i.e. a large construction project). The insurance policy written would provide coverage for losses arising out of that work only. Wrap-up includes owner-controlled insurance programs.

**FILING PROCESSES****Receipt of Filing**

Companies may submit filings to OPC via U. S. Mail, CRAFT or SERFF.

Upon receipt of a paper filing, OPC staff will date stamp and return a copy of the filing's cover letter to the filer. The returned copy of the cover letter does not signify approval of the filing. The returned copy of the cover letter only notifies the filer that the filing has been received and is being processed in accordance with outlined procedures. A complete filing shall include a P & C transmittal document (pages 1, 2, and 4), a cover letter which states the intent to file under the prior approval provision, and actuarial justification to support the request.

- ◆ Date-sensitive time frames shall be determined by the stamped receipt date on the returned copy, not the stamped receipt-acknowledged date.

Upon receipt of a filing submitted through CRAFT, OPC staff will change the filing status to "Mail Received". Once the CRAFT filing is electronically date stamped, this act should serve as an indicator to the filer that the filing has been received and is being processed in accordance with outlined procedures. A complete filing submitted via CRAFT shall include a P & C transmittal document (pages 1, 2, and 4), a cover letter which states the filer's intent to file under the prior approval provision and actuarial justification to support the request.

Upon receipt of a filing submitted through SERFF, OPC staff will change the filing status to "Received". Once the CRAFT filing is electronically date stamped, this act should serve as an indicator to the filer that the filing has been received and is being processed in accordance with outlined procedures. A

complete filing submitted via SERFF shall include a detailed explanation in the filing description stating the insurance company's intent to submit under the prior approval provision and a thorough explanation of the filing, a completed rate/rule filing schedule and actuarial justification to support the request.

## **Filing Review**

Upon receipt of a rate/rule filing, the filing is assigned to an OPC examiner for review.

Each filing submitted to the OPC shall be on file for a waiting period of forty-five (45) days. By written request of the company, the OPC, subsequent to review and approval may authorize a filing to become effective before the expiration of the forty-five (45) day waiting period. If the filing is approved prior to the waiting period date, the OPC approval letter shall state the authorized earlier effective date.

The Prior Approval forty-five (45) day time frame shall be determined by taking the received date and counting forward by forty-five (45) days, including weekends and holidays.

All filings will be reviewed by the OPC staff on a date received (first come) basis.

If a filing is found to be incomplete, the entire filing will be returned to the filer along with a disapproval letter outlining the missing components. If the filer wants to submit the filing again, the filing must be resubmitted in its entirety with a new company reference number and reference to the previous LDOI Item Key filing number.

If there is an unresolved compliance issue or any actuarial issues, the filer will receive a written disapproval that details the compliance and/or actuarial issues. For any filing that is disapproved, the insurer may re-file at any time (with a new company reference number and reference to the previous LDOI Item Key filing number) or the insurer may appeal the disapproval to the Nineteenth Judicial District Court, Parish of East Baton Rouge (19<sup>th</sup> JDC) within fifteen (15) days from receipt of written notice of the disapproval.

**\* Note that when the company receives an approval that is contingent upon forms approval, it is the company's responsibility to notify OPC that the forms have been approved by providing a copy of the form approval letter. Further, the company must also verify the proposed effective date of the approved rates/rules. Upon notification of forms approval, the OPC will provide an approval letter indicating the implementation date for the approved rates/rules. A program should not be implemented until this approval letter is received.**

## **Commercial Informational Filings**

Rates for commercial risks with at least \$10,000 in annual policy premium shall be submitted with the commissioner on an informational basis. This exception does not include workers compensation or medical malpractice liability insurance (these lines must be filed with commissioner for approval prior to implementation as outlined in LRS 22:1451). The informational filing can be in the form of an entire program whose eligibility requirements meet or exceed the minimum \$10,000 policy premium or an individual qualifying policy. The informational filing shall include the following:

- ◆ A cover letter which clearly states whether the submission is for an entire program or individual policies.
- ◆ For a qualifying program, the cover letter should clearly indicate the filing is for the entire program and state the minimum premium for the entire program.
- ◆ For qualifying policies, the informational filing should include a copy of the declaration page for each individual policyholder.

The OPC staff will acknowledge receipt of all informational filings found in compliance.

## **PUTTING THE FILING PACKET TOGETHER**

This section defines a “complete filing” by including the minimum and general filing requirements, as well as detailed filing requirements for specific filing situations. The filing requirements are organized by type of filing and, where appropriate, by line of business. Unless a line or company type is explicitly identified, the requirements listed below apply to all lines of business and companies.

- ◆ A Workers’ Compensation Group Self-Insurance Fund (“WCGSIF”) must submit a filing pursuant to LDOI Bulletin 08-09 (formerly LDOI Bulletin 95-06). All other filings must follow the guidelines set forth in this section.

### **All Filings - Minimum Requirements**

These filing requirements are required of all rate and rule filings submitted:

1. The filing must be submitted via the Consumer, Rates and Forms Tracking (CRAFT) system, the System for Electronic Rate and Form Filings (SERFF) or the United States mail.
2. The complete filing **must** include the following:
  - a. A cover letter that provides a brief statement as to the purpose of the filing. A cover letter must be provided for paper and CRAFT submissions. SERFF submissions must include a detailed explanation of the purpose of the filing in the filing description of the General Information section.

- b. Explanatory Memorandum – The memorandum should include the information specified by the type of filing request.
- c. Mandatory documents for the specified type of filing and line of business. See page 13 for detailed filing guidance.
- d. Completed Statement of Compliance from the Product Filing Matrix for the product (s) listed on the Transmittal Document. The Product Filing Matrix is available on the Department's website (<http://www.lidi.state.la.us/ldipolicymatrix>).
- e. A copy of the last action letter from the LIRC/OPC for the current approved rates for the referenced program.
- f. Proposed manual pages should be attached to each filing at submission. If the filing is amended, the company should submit **only** the revised copies of the manual pages affected by the amendment.

Please note the following:

- 1. Expanded descriptions of exhibits and components to be included in filings can be found in the "Additional Useful Information" section of this handbook.
- 2. Prior to the submission of a rate filing, an insurance company should verify that it is licensed in Louisiana for the line of business stated in its filing(s).
- 3. Retro-active effective dates are **not** allowed. The earliest effective date a company may receive is the date the filing is approved.
- 4. When a company is adopting, delay adopting, or non-adopting a rating organization filing, the company must be a member of and/or a subscriber of the particular rating organization. Additionally, an insurance company must have the necessary authority for the coverage line stated in the filing. The filing must, specifically, state the rating organization's designation number(s) for the rate/rule plans that have been approved for use in Louisiana.
- 5. Rate and rule filings must be submitted independently of form filings.

### **Rate Revision**

A rate revision is a filer's request to change, add to, or remove rates previously approved by the LIRC and/or OPC. An initial filing designed to accept (i.e., roll) an existing book of business, should be filed as if it is a rate revision.

All rate revision filings should contain the following filing material:

- 1. Explanatory Memorandum.
  - ◆ The filer should explain each requested rate revision contained in the filing. The impact of changes for base premium, coverage, classification, territory, limits and deductible should be separately identified. All deviations contained in the filing, whether they involve deviations between companies, deviations from rating organization filings or otherwise should be separately identified.
- 2. Exhibit A.1 – Louisiana Experience Underlying Revision.

- ◆ Exhibit A.1 should be completed regardless of how much business volume the filer has in Louisiana for the program affected by the filing. If no business has been written, place zeros in the appropriate lines of the exhibit. This worksheet shows historical experience for the program affected by the filing. The exhibit should reflect the most current five (5) years of experience. When filings are submitted between the months of April and December, the company must use the previous calendar year end as its most current year.
3. Exhibit A.2 – Countrywide Experience Underlying Revision.
- ◆ Exhibit A.2 should be completed regardless of how much business volume the filer has Countrywide for the program affected by the filing. If no business has been written, place zeros in the appropriate lines of the exhibit. This worksheet shows historical experience for the program affected by the filing. The exhibit should reflect the most current five (5) years of experience. When filings are submitted between the months of April and December, the company must use the previous calendar year end as its most current year.
4. Exhibit B – Actuarial Checklist – Company Portion
- ◆ Exhibit B is a tool used by both the insurer and regulatory staff to verify that the filing has all of the requisite actuarial supporting documents. This checklist is required to be submitted with all property & casualty personal lines rate filings in Louisiana. It is optional for other situations.
5. Justification for requested rate revision
- ◆ Actuarial Analysis - For all rate revision filings where the annual premium in the latest calendar year is greater than two hundred, fifty thousand dollars (\$250,000), an actuarial analysis in support of the rate revision must be included in the filing. Annual premium should be measured based on the insurance program affected by the proposed rate revision.
  - ◆ Statistical Analysis – For rate revision filings where the annual premium in the latest calendar year is less than two hundred, fifty thousand dollars (\$250,000) and an actuarial analysis is not available, a company may submit a statistical analysis. Annual premium should be measured based on the insurance program affected by the proposed rate revision.
  - ◆ Detailed Explanation – For rate revision filings where there is not enough historical data to support an actuarial or statistical analysis, a detailed explanation is the minimal justification accepted. Additional information may be requested by LDOI actuarial staff.
6. Exhibit C – Louisiana Loss Cost Multiplier Worksheet for Lines Other Than Workers’ Compensation
- ◆ Exhibit C is a worksheet used in developing a loss cost multiplier relative to a rating organization’s loss costs. This exhibit is **mandatory** for loss cost reference filings for lines other than workers’ compensation.

7. Exhibit C-WC – Louisiana Loss Cost Multiplier Worksheet for Workers' Compensation

- ◆ Exhibit C-WC is a worksheet used in developing a loss cost multiplier relative to a rating organization's loss costs. This exhibit is **mandatory** for loss cost reference filings for workers' compensation.

8. Exhibit D.1 – Private Passenger Automobile Rating Illustration

- ◆ Exhibit D.1 compares rates for seven risk classifications in fourteen (14) Louisiana cities. For all private passenger automobile rate revision filings, Exhibit D.1 must be included.

9. Exhibit E.1 – Homeowners Rating Illustration

- ◆ Exhibit E.1 compares rates for five risk classifications in fourteen (14) Louisiana cities. For all homeowners rate revision filings, Exhibit E.1 **must** be included.

10. Exhibit F – Louisiana Operating Results

Exhibit F reflects an insurer's profit or loss on business written in Louisiana. The OPC **may** request Exhibit F when a company has Louisiana earned premium exceeding \$6 million, in aggregate, over the most recent three (3) calendar years. Exhibit F should reflect direct business only. Note that reinsurance **shall not** be included. This includes reinsurance with third parties, as well as inter-company pooling arrangements within a company group. Exhibit F premium and loss experience should only reflect business affected by the filing. If this is not feasible, the filer should provide Exhibit F experience for the closest line or sub-line available and note this fact on the exhibit. Exhibit F expense and income experience should reflect only the Louisiana business affected by the filing. If necessary, Louisiana expenses or income can be approximated from data aggregated at a higher level. Examples are: countrywide experience, group experience or annual statement line of business. If Louisiana expenses or income is approximated, it should be noted on the exhibit. Exhibit F must include the most current 10 years of information. When filings are submitted between the months of April and December, the company must use the previous calendar year end as its most current year. Annual premium should be based on the insurance program affected by the proposed rate revision.

11. Exhibit H – Louisiana Rate Revision Questionnaire

- ◆ Exhibit H breaks down the overall statewide average rate revision, by filing, into a distribution of policyholders across percent change increments. For all private passenger automobile, homeowners and medical professional liability filings, Exhibit H **must** be included. For **all other lines of business**, it must be submitted **upon departmental request**.

12. Exhibit I – Louisiana Rate Revision Questionnaire by Territory



- ◆ Exhibit I displays, in tabular form, the effect that the overall statewide rate revision will have on each of the insurer's territories. For all private passenger automobile and homeowners filing, Exhibit I **must** be included. For **all other lines of business**, Exhibit I must be submitted **upon departmental request**.

### 13. Exhibit J – Louisiana Medical Malpractice Filing Questionnaire

- ◆ Exhibit J displays, in tabular form, the effect that the overall statewide rate revision will have on each of the insurer's territories. For all medical professional liability filings, Exhibit J **must** be included.

When a company is making a rate revision to a mono line program and the rate revision also affects the package program, the filing should be made as a mono line filing and the overall percentage of increase/decrease for the mono line program should be provided as well as the overall percentage of increase/decrease for the package program.

\* Please note that the inclusion of the exhibits may expedite the review process.

## Rate Capping

The Louisiana Department of Insurance (LDOI) generally does not favor rate-capping because it may not produce an actuarially sound rate and because it may lead to unfair discrimination when identical risks, one new and one renewing, are charged different premiums.

However, the LDOI recognizes that tempering large swings in rate, even when the increases and decreases are actuarially sound, may be in the public's best interest.

The LDOI considers two (2) methods of rate-capping:

- **Capping actuarial selections**: In this method, the insurer judgmentally selects internal rating plan relativities to limit the impact a proposed rate change would have on individual renewing policies. In this instance, identical risks, one new and one renewing, are charged identical premiums.
- **Capping individual rate changes at renewal**: In this method, the insurer renews an individual policy, calculates the percentage change in that policy's premium, compares the calculated percentage change in that policy's premium to a specific limit, e.g., +20.0%, and then limits that policy's renewal premium accordingly. Here identical risks, one new and one renewing, may be charged different premiums.

The following rate-capping rules set forth the OPC's guidance for the insurance industry:

1. With respect to capping actuarial selections, the OPC has no objection as long as the proposed rating plan is reasonable.

2. With respect to capping individual rate changes at renewal, the OPC offers this guidance:
  - a. There shall be no rate-capping on the down-side, i.e., no minimum premium change for individual policies.
  - b. The duration of the rate-capping procedure shall be no longer than three years, e.g., three renewal cycles for annual policies or six renewal cycles for semi-annual policies.
  - c. The insurer shall provide a rule in its rate manual detailing the application of rate-capping. This rule shall be clear and shall specify:
    - i. The up-side cap;
    - ii. That there is no down-side cap;
    - iii. The formula for the rate-capping calculation;
    - iv. The duration of the rate-capping procedure, e.g., three renewal cycles; and
    - v. Other relevant information.
  - d. All standard filing transmittal forms shall show the overall percentage and dollar rate impacts on an uncapped basis. This applies to any and all pre-determined state-mandated forms required to be completed by the insurer and transmitted with the filing, e.g.:

\* Rate/Rule Filing Schedule

\* SERFF Rate Information tab

\* CRAFT Filing tab

\* Louisiana Exhibits C, C-WC, D.1, E.1, H, I, and J

- e. The insurer shall disclose to OPC the impact of the proposed capped rate changes over future renewal periods until the capping process ends. The disclosure shall include projections of premiums, percentage changes, dollar changes, and number of policies impacted for each future renewal period. To perform this exercise, the insurer shall make the standard assumption that its current book of business is fully retained and renewed into the future, until the capping process ends.

As a simplified example, suppose a company wishes to impose a cap of +10% per semi-annum and currently has two semiannual policies:

<u>Policy #</u>	<u>Premium</u>		<u>% Change</u>	<u>\$ Change</u>
1	\$1,000	+	5%	+ \$50
2	\$2,000	+	50%	+ \$1,000
Total	\$3,000	+	35%	+ \$1,050

Then the insurer shall show the following three tables (or Table 3 at a minimum) in its filing:

**UNCAPPED POLICIES (Table 1)**

(A) Semiannual Renewal Period	(B) Premium Subject to Change	(C) % Change	(D) \$ Change	(E) Impacted Number of Policies
1	1,000	+ 5.0%	+ 50	1
2	1,050	+ 0.0%	+ 0	0
3	1,050	+ 0.0%	+ 0	0
4	1,050	+ 0.0%	+ 0	0
5	1,050	+ 0.0%	+ 0	0
6	1,050	+ 0.0%	+ 0	0
All Periods	1,000	+ 5.0%	+ 50	1

**CAPPED POLICIES (Table 2)**

(A) Semiannual Renewal Period	(B) Premium Subject to Change	(C) % Change	(D) \$ Change	(E) Impacted Number of Policies
1	2,000	+10.0%	+ 200	1
2	2,200	+10.0%	+ 220	1
3	2,420	+10.0%	+ 242	1
4	2,662	+10.0%	+ 266	1
5	2,928	+ 2.5%	+ 72	1
6	3,000	+ 0.0%	+ 0	0
All Periods	2,000	+50.0%	+1,000	1

**UNCAPPED + CAPPED POLICIES (Table 3)**

(A) Semiannual Renewal Period	(B) Premium Subject to Change	(C) % Change	(D) \$ Change	(E) Impacted Number of Policies
1	3,000	+ 8.3%	+ 250	2
2	3,250	+ 6.8%	+ 220	1
3	3,470	+ 7.0%	+ 242	1
4	3,712	+ 7.2%	+ 266	1
5	3,978	+ 1.8%	+ 72	1
6	4,050	+ 0.0%	+ 0	0
All Periods	3,000	+35.0%	+1,050	2

**NOTES**

(1) (C) = (D) / (B)

(2) For All Periods rows:

(B) = (B) for Semiannual Renewal Period 1

(C) = Multiplicative combination of (C) for all Semiannual Renewal Periods  
(e.g., in Table 2, +50.0% = 1.100 x 1.100 x 1.100 x 1.100 x 1.025 - 1.000)

(D) = Sum of (D) for all Semiannual Renewal Periods

(E) = (E) for Semiannual Renewal Period 1

(3) Table 3 = Table 1 + Table 2, except that note (1) above applies

- f. Any subsequent change to the rate-capping rule shall be made by filing a rate change with the commissioner, as required by LRS 22:1451 and 22:1464. The filing shall be consistent with items d. and e. above.
- g. In a rate filing, when a rate-capping rule has lowered historical premiums, the insurer's actuary shall ensure that the actuarial indication does not redundantly measure rate need. The actuarial method to adjust premium to current rate level shall first and explicitly adjust premium to remove the effects of rate-capping, and then adjust the uncapped premiums to current levels. (In the example shown above, after Semiannual Renewal Period 1 has elapsed, the effect of rate capping will have been to lower the written premium for that period from \$4,050 to \$3,250. The proper value to use in the ratemaking formula will be the \$4,050 value and not the \$3,250 value.)

### **Adoption of Rating Organization's Loss Costs**

For adoption of a rating organization's loss costs, an insurer must file to adopt each rating organization's loss costs independently. In other words, the rating organization does not file for and receive approval on behalf of the insurer. In Louisiana, a rating organization is an advisory organization, and the insurer must independently file to adopt and provide data to support, to the extent the insurer's Louisiana experience is credible, the adoption of the advisory loss costs. Examples of this type of filing are the adoption of ISO or NCCI loss costs.

- ◆ In acknowledging that rating organizations do not file on behalf of an insurer, if a company does not want to adopt an approved rating organization's loss cost filing, no filing is necessary. Note that this is not true for rule filings (refer to the subsection on rule adoptions).
- ◆ In Louisiana, loss cost multipliers ("LCM") do not remain "on file" to be used with future loss costs revisions. Each insurer's filing to adopt a rating organization's LCM must include support for the proposed LCM even if the LCM does not change from the previous adoption.

\* Please note that the only loss cost approved in Louisiana for Property is "Glass".

The filing packet to adopt a rating organization's loss costs should include the following items in addition to those listed above.

1. OPC Exhibit C – Louisiana Loss Cost Multiplier Worksheet for Lines Other Than Workers' Compensation or OPC Exhibit C – WC – Louisiana Loss Cost Multiplier Worksheet for Workers' Compensation.
- ◆ In a more refined rating plan, Exhibit C or C-WC may be filed multiple times. For example, the filer may want to recognize different expenses associated with each company in a group, different expenses underlying

liability versus physical damage coverage, or different expense and underwriting standards associated with targeted niche-markets within a line of business. Note that with refined plans, support must be provided for each LCM.

2. The Explanatory Memorandum should reference all rating organization filing designations that are being adopted.

### **Non-Adoption of Rating Organization's Loss Costs**

The non-adoption of a rating organization's loss costs is not filed with the OPC. Loss cost adoption is **not** automatic in Louisiana. Each insurer must explicitly file to adopt a rating organization's approved loss costs.

### **Private Passenger Automobile**

For a private passenger automobile rate revision, the filed material should include the following items in addition to those listed in the "All Filings - Minimum Requirements" section. These items are required whether the filing is an adoption or an independent filing.

1. Exhibit D.1 – Private Passenger Automobile Rating Illustration.
2. Exhibit H – Louisiana Rate Revision Questionnaire.
3. Exhibit I – Louisiana Rate Revision Questionnaire by Territory.

### **Homeowners**

For all homeowner rate revisions, the filed material should include the following items in addition to those listed in the "All Filings - Minimum Requirements" section. These items are required whether the filing is an adoption or an independent filing.

1. Exhibit E.1 – Homeowners Rating Illustration
2. Exhibit H – Louisiana Rate Revision Questionnaire.
3. Exhibit I – Louisiana Rate Revision Questionnaire by Territory.
4. If computer modeling is used to support the selected catastrophe load, the Computer Model Interrogatories must be included.

### **Medical Professional Liability**

For all medical malpractice liability revisions, the filed material should include the following items in addition to those listed in the "All Filings - Minimum Requirements" section. These items are required whether the filing is an adoption or an independent filing.

- ◆ Exhibit H – Louisiana Rate Revision Questionnaire
- ◆ Exhibit J – Louisiana Medical Malpractice Filing Questionnaire

### **Fire and Allied Lines**

Fire and allied lines companies must utilize the approved rates of the Property Insurance Association of Louisiana (PIAL) rates. A company may deviate from

PIAL rates, however in order to deviate from PIAL's rates: the following must be submitted:

1. The Explanatory Memorandum should explain the requested deviation.
2. Justification for the deviation.

### **Installment Plans**

Installment plans should be filed separately from rate or rule filings. For detailed filing guidance, see page 28.

### **Consent-to-Rate**

Consent-to-rate requests should be filed separately from rate or rule filings. For detailed filing guidance, see page 26.

### **Rule Revision**

A rule revision is a filer's request to change, add to or remove rules previously approved by the OPC.

For all rule revision filings, the filed material should include the following exhibits for consideration. If not an initial filing, a filing to adopt a rating organization's rules is considered a rule revision for the purposes of this document.

The following information and documents shall be included in a complete filing packet for the identified filing situations:

1. Explanatory Memorandum
  - ◆ If applicable, provide an explanation indicating if the coverage is optional.
  - ◆ If applicable, provide explanations of the effects of the rule change on the policy.
  - ◆ If applicable, indicate whether there is a corresponding policy form change? If so, indicate the status of the form approval.
2. An explanation of each change must be provided.
3. If a rule revision results in a change in premium for any existing policyholder, the estimated percentage and dollar impact of this premium change, along with the number of policyholders must be provided.
4. If the rule revision results in a reduction or increase in coverage with no premium impact, the rate effect on the filer's existing book of business should be estimated.
5. The marked manual pages with additions underlined and deletions ~~strikethrough~~.

## **Rule-Based Change in Coverage**

Any rule (initial or revision) filing that results in a change in coverage or causes a change in policyholder premium (i.e. a minimum premium rule), should include the following items in addition to those listed above:

1. An explanatory memorandum that illustrates a comparison of the coverage before and after the proposed changes.
2. Exhibit A.1- Louisiana Experience Underlying Revision
3. Exhibit A.2- Countrywide Experience Underlying Revision
4. Exhibit B - Actuarial Checklist - Company Portion
5. Overall Percent Rate Revision for the Existing Louisiana Book of Business
6. Overall Premium Change for the Existing Louisiana Book of Business
7. Number of policyholders affected by the change in coverage
8. Justification to support the rule changes

## **Non-Adoption of Rating Organization's Rules**

Non-adoption of rules associated with a rating organization's loss costs may require the submittal of a rule filing. To determine whether the rating organization's rule adoption is "automatic", the filer should refer to the service agreement between it and the rating organization.

If a rating organization's rules are automatically adopted (on the rating organization's approved effective date), and an insurer chooses not to adopt the rules, the insurer must make a filing to decline adoption of the rules. In all other cases, notice of non-adoption is not required.

If an insurer wants to change the effective date of a rating organization's approved rules, a filing is required. Otherwise, the rating organization's effective date for the rules is assumed to be the effective date for the insurer.

## **Delay Adoption of Rating Organization's Rules**

Delayed adoptions (adoptions with an effective date later than the rating organization's effective date) will be treated as regular adoptions. When a company is adopting, delay adopting, or non-adopting a rating organization's filing, that company must be a member and/or subscriber of the particular rating organization and have the necessary authority for the coverage line stated in the filing. The filing must specifically state the rating organization's designation number(s) that have been approved for use in Louisiana and will be utilized with the company's filing. An action letter will be issued, by the OPC.

## **Initial Rate and Rule Filing**

A filing of rates or rules is an "initial" filing when no previous or similar filing has been approved by the LIRC and/or OPC.

- ◆ Initial filings for personal lines will be processed by the OPC. Prior to submitting an initial filing, a company should be in possession of a

Certificate of Authority that authorizes the marketing of products under the specific line of coverage.

- ◆ A filing subsequent to a withdrawn program is considered an initial filing (refer to the subsection on Insurer's Withdrawal from Market).
- ◆ An initial filing designed to accept (i.e., roll) an existing book of business should be filed, as if it is a rate revision, following the guidelines of that subsection.
- ◆ An initial filing cannot be submitted along with a rate revision.

All initial rate and rule filings must include the following items:

1. The explanatory memorandum; providing an explanation of :
  - ◆ How the proposed rates were determined.
  - ◆ If a filer intends to adopt the rates of another insurer, the filer must clearly state that the rates are based on rates approved for Company X. The effective date of Company X's approved rates must be provided. If the filer's rates differ from those approved for Company X, an explanation must be provided.
  - ◆ If a filer has marketed the insurance program in other states, those states should be identified.
  - ◆ If a program contains any form of schedule rating, tiered rating program or use of policyholder credit history, such content must be clearly stated.
  - ◆ The company should specify whether the filing is for a mono line program, a package program, or for both mono line and package programs. All filings are required to be submitted on a per program (mono line), per line of business basis. The company should file a program as a package when it will be applying a modifier. If the company will be using the same rates for both the mono line program and the package program, the company must submit the filing as mono line and state "this filing may also be used as a package program with the same rates and no modifications".
2. Exhibit A.2 – Countrywide Experience Underlying Revision
3. Proposed Effective Date

### **Initial Adoption of a Rating Organization's Loss Costs**

An insurer must file to adopt a rating organization's loss costs independently of the rating organization's approval. In other words, the rating organization does not file and receive approval on behalf of the insurer. In Louisiana, a rating organization is an advisory organization and the insurer must independently file to adopt and provide support for its adoption of the approved advisory loss costs. Examples of this type of filing include the adoption of ISO or NCCI loss costs.



- ◆ Since a rating organization does not file on behalf of an insurer, if a company does not want to adopt an approved rating organization loss costs, no filing is necessary on the part of the insurer.
  - ◆ In Louisiana, loss cost multipliers (“LCM”) do not remain “on file” to automatically be used with future loss costs revisions. Each insurer’s filing to adopt a rating organization’s loss costs must include support for the proposed LCM to be used with the new loss costs. Note that it is acceptable for the LCM to stay the same as a previous adoption providing the underlying expenses have not changed.
1. OPC Exhibit C – Adoption of Prospective Loss Costs Without Expense Constant or OPC Exhibit C-WC – Adoption of Prospective Loss Costs With Expense Constant.
    - ◆ Exhibit C. or C.2 may be filed separately in a more refined rating plan. For example, a filer may want to recognize different expenses associated with each company in a group, different expenses underlying liability versus physical damage coverage, or different expense and underwriting standards associated with targeted niche-markets. Note that support must be provided for each LCM.
  2. Three (3) years of expense experience as support for the underlying expense components used to calculate each filed LCM.

### **Initial Fire or Allied Lines Filing**

For initial fire or allied lines rates the following must be considered.

- ◆ Fire and allied lines filings must be in compliance with LRS 22:1460.D, and Property Insurance Association of Louisiana (PIAL) rates must be utilized.
- ◆ The PIAL has rates and rules, (not loss costs) approved in Louisiana.
- ◆ LRS 22:1468 allows a property carrier to deviate from PIAL rates, however the company must notify OPC prior to the implementation of the initial deviation and of any change in the property deviation percentage.

### **Initial Installment Plan Filing**

Installment plans should not be included in an initial rate or rule filing. Installment plans should be filed separately. See page 26 for detailed filing guidance.

### **Initial Consent-to-Rate Filing**

Consent-to-rate requests should not be included in an initial rate or rule filing. Consent-to-rate requests should be filed separately. See page 26 for detailed filing guidance.

## **FILING ORGANIZATION REQUIREMENTS**

This subsection contains licensing information for filing organizations as outlined in L.R.S. 22:1466 and 22:1471. Special guidance is provided for the initial application of a license and the renewal of an existing license.

### **Advisory Organizations**

According to L.R.S. 22:1471, an advisory group is defined as every group, or other organization of insurers, whether located within or outside this state, that assists insurers with rate and/or rule filings or rating organization or any division in rate making, by the collection and furnishing of loss or expense statistics or by the submission of recommendations. However, advisory organizations do not submit rate/rule filings pursuant to L.R.S. 22:1471.

Every advisory organization shall file the following information with the OPC:

1. A copy of its constitution, its articles of agreement or association, or its certificate of incorporation, and its bylaws, rules, and regulations governing the conduct of its business
2. A list of its members and subscribers.
3. The name and address of a resident of this state upon whom notices or orders of the Commissioner or a division or process issued at the direction of the commissioner may be served.
4. An agreement stating that the Commissioner of Insurance may examine such advisory organization in accordance with the provisions outlined in Title 22, Chapter 4.

### **Initial License of a Rating Organization**

According to L.R.S. 22:1466, a corporation, an unincorporated association, a partnership, or an individual, whether located within or outside this state, may make application to the Commissioner for license as a rating organization for such kinds of insurance, or subdivision, or class of risk, or a part or combination thereof as are specified in its application.

The rating organization shall file the following information:

1. A copy of its constitution, its articles of agreement or association, or its certificate of incorporation, and its bylaws, rules, and regulations governing the conduct of its business,
2. A list of its members and subscribers,
3. The name and address of a resident of this state upon whom notices or orders of the Commissioner or a division or process affecting such rating organization may be served,
4. A statement of its qualifications as a rating organization,
5. A fee in the amount of \$2500.00, as indicated in L.R.S. 22:821.

Licenses issued pursuant to L.R.S. 22:1466 shall remain in effect for three years unless sooner suspended or revoked by the Commissioner. Licenses issued pursuant to L.R.S. 22:1466 may be suspended or revoked by the Commissioner after hearing upon notice, in the event the rating organization ceases to meet the requirements outlined in L.R.S. 22:1466.

\* Note that every rating organization shall notify the Commissioner/LDOI promptly of every change in (1) its constitution, its articles of agreement, or association, or its certificate of incorporation, and its bylaws, rules, and regulations governing the conduct of its business, (2) its list of members and subscribers, and (3) the name and address of a resident of this state upon whom notices or orders of the Commissioner or a division or process affecting such rating organization may be served.

### **Renewal of License for a Rating Organization**

According to L.R.S. 22:1466, a rating organization's license shall remain in effect not longer than three (3) years. Following the three (3) year period the rating organization must, then, renew its license by submitting the following information:

1. A copy of its constitution, its articles of agreement or association, or its certificate of incorporation, and its bylaws, rules, and regulations governing the conduct of its business
2. A list of its members and subscribers.
3. The name and address of a resident of this state upon whom notices or orders of the Commissioner or a division or process affecting such rating organization may be served.
4. A statement of its qualifications as a rating organization.

Licenses issued pursuant to L.R.S. 22:1466 shall remain in effect for three years unless sooner suspended or revoked by the Commissioner. Licenses issued pursuant to L.R.S. 22:1466 may be suspended or revoked by the Commissioner after hearing upon notice, in the event the rating organization ceases to meet the requirements outlined in L.R.S. 22:1466.

\* Note that every rating organization shall notify the Commissioner/LDOI promptly of every change in (1) its constitution, its articles of agreement, or association, or its certificate of incorporation, and its bylaws, rules, and regulations governing the conduct of its business, (2) its list of members and subscribers, and (3) the name and address of the resident of this state designated by it upon whom notices or orders of the Commissioner or process affecting such rating organization may be served.

## WITHDRAWAL INSTRUCTIONS

### Insurer's Withdrawal from Market (Directive 201)

Notification from an insurer stating that it is "no longer writing" or is "withdrawing from a market" is not a filing. Notification of this type is referred to as a "withdrawal".

Note that an insurer's decision to withdraw from a market does not release the insurer from complying with OPC requests, any Louisiana statutory requirements or other responsibilities.

Although there is no statutory obligation, the OPC requests that an insurer with approved rates or rules notify the OPC when it chooses to withdraw from the Louisiana insurance markets. An insurer must advise the LDOI that it has taken the following steps in initiating withdrawal:

1. Insurer has significantly limited its writing of new or renewal business.
2. Insurer has ceased to write new business but continues to service renewals.
3. Insurer has ceased to write new and renewal business.
4. Insurer is selling or in the process of transferring a book of business to another insurer.
5. Insurer has consolidated business from multiple companies into a lesser number of companies.

The OPC requests that notification be provided in writing before, or as soon as possible after, the effective date of the withdrawal. The insurer's letter should clearly state the following:

1. Reason for withdrawal.
2. Impact of withdrawal on new and renewal business.
3. The proposed effective date of the insurer's withdrawal.
4. The insured's intent to withdraw all rates, rules, and forms.
5. If applicable, the name of the insurer assuming the book of business.

Upon receipt of a request to withdraw from the market, the OPC will send an acknowledgment. The acknowledgement may inform the insurer that it is still subject to the provisions of the Insurance Code, particularly those regarding non-renewal and cancellation. The letter may inquire if the insurer desires to withdraw all rates, rules and forms. If the reason for the insurer's action is unknown, the letter may request more information regarding the insurer's future intent in Louisiana.

- ◆ Even though a company states that it is "no longer writing," policies/business, etc., current approved rates, rules and forms remain effective until a withdrawal of rates and rules is approved by the OPC.

## **Withdrawal of Rates and Rules**

A request to withdraw from the market should not be confused with a request to withdraw approved rates or rules. Upon approval by the OPC, the insurer will no longer have any approved rates or rules for the withdrawn program. This means the insurer cannot write new or renewal business under the withdrawn program. Also, the company will remain subject to all Louisiana statutes, regulations, rules and directives until all business is runoff or moved.

## **MERGER, ACQUISITION OR COMPANY NAME CHANGE REQUIREMENTS**

### **Merger, Acquisition or Company Name Change**

If an insurer changes its name, is acquired by another insurer, or merges with another insurer, OPC notification of affected insurers is required. In a letter, the insurer should notify the OPC of the corporate change. The letter should reference all LIRC and/or OPC approved insurance programs affected by the transaction.

If the merger or acquisition results in the insurer's withdrawal from a market for one of the affected companies, the guidance of the subsection on Insurer's Withdrawal from Market should be considered.

Note that an insurer's decision to merge, acquire, be acquired, or change its name does not release the insurer from complying with OPC requests, any Louisiana statutory requirements, or other responsibilities.

## **SCHEDULE AND TIER RATING PLAN REQUIREMENTS**

### **Schedule Rating Plan (Individual Risk Premium Modification Plan)**

A schedule rating plan is a limited set of rules used to adjust a rate to more accurately reflect an insured's risk. A schedule rating plan contains specific risk characteristics, based on quantified differences from the average risk contemplated in the manual rate, for which judgment of the company is allowed to adjust the manual rate. The adjustments are in the form of debits and credits, within certain bounds.

For the purposes of this subsection, a schedule rating plan is a method of rating that uses charges and credits to modify a class rate based on the special characteristics of the risk. A schedule of rates is based on experience that supports a direct relationship between certain physical characteristics and the possibility of loss.

- ◆ In Louisiana, a schedule rating plan can only be used in conjunction with commercial liability and property class rates. A schedule rating plan cannot be used in conjunction with any personal line.

- ◆ If a filing introduces a schedule rating plan, this fact must be clearly stated in the filing memorandum and actuarially supported.
- ◆ Schedule rating plans can be filed within other rate and rule filings, or separately.

### **Tier Rating Plan**

If a filing contains tier rating, it must be clearly stated in the filing memorandum. When tiers are defined within a single company, the tiers are considered part of that company's rate plan. As such, the criteria used to place an insured in a tier must be clearly defined and included in the company's rules. The following guidelines should be considered when filing a tier rating plan:

1. Criteria used to place an insured in a tier must be based on demonstrably different risk characteristics.
2. A tier rating plan must use rates and rules that are not unfairly discriminatory.
3. Risks with substantially similar risk characteristics must be placed in the same tier.
4. The relative difference in rate level between tiers must be clearly stated in the filing memorandum.
5. A tier rating plan must clearly set forth the agent commission scale used in each tier.
6. Differences in agent commission may, along with other expected risk or expense differences, contribute to the difference in rate level between tiers.
7. The difference in rate level between tiers must be substantively greater than the difference in underlying agent commission and reflect the expected difference in risk.
8. A tier rating plan where agent commission or credit scoring is the sole characteristic that differentiates rate level between tiers is not in the public's best interest.

### **Multiple Company Tier Rating Plan**

If a filing contains a multiple company tier rating plan, it must be clearly stated in the filing memorandum. When multiple rate levels are defined across companies within a group, the criteria used to place an insured in a specific company is considered underwriting. As such, underwriting criteria does not need to be included in the company's rules. However, the following guidelines should be considered when using multiple rate levels across companies in a group:

1. A multiple company tier rating plan must not be unfairly discriminatory.
2. Risks with substantially similar risk characteristics must be placed in the same company.

3. The relative difference in rate level between companies must be clearly stated in the filing memorandum.
4. A multiple company tier rating plan must clearly set forth the agent commission scale used in each company.
5. Differences in agent commission may, along with other expected risk or expense differences, contribute to the difference in rate level between companies.
6. The difference in rate level between companies must be substantively greater than the difference in underlying agent commission and reflect the expected difference in risk.
7. A multiple company tier rating plan where agent commission or credit scoring is the sole characteristic that differentiates rate level between tiers is not in the public's best interest.

## **INDIVIDUAL RISK, CONSENT-TO-RATE FILING REQUIREMENTS**

### **Individual Risk Filing**

An individual risk rating plan is comprised of rates and rules that are specific and unique to a given risk and are not contemplated by approved manual rates and rules.

The following guidelines should assist a filer with individual risk filings:

- ◆ An individual risk filing must be submitted to the OPC.
- ◆ Though no statutory time frame is defined, OPC considers a submission within sixty (60) days after the effective date of the policy to be reasonable.

The individual risk filing packet should include the following:

1. A cover letter from the insurer, on company letterhead, submitting the individual risk filing to the OPC;
2. A stamped, self-addressed return envelope;
3. The original of the individual risk letter must be submitted. The letter must be from the insurer to the OPC clearly stating why the policy is being rated in this manner;
4. The filing packet must include:
  - The filing cover letter;
  - The rating worksheet outlining the basis for the quoted premium;
  - The declaration page;
5. The individual risk letter must contain:
  - ◆ The name of the insured;
  - ◆ The name of the insurer writing the risk;
  - ◆ The line of business;

- ◆ If applicable, the sub-line or program under which the policy is written;
  - ◆ The policy number;
  - ◆ The policy effective date;
  - ◆ The policy term,
  - ◆ The manual rating factors and premium;
  - ◆ The reason that the policy is individual risk rated.
6. For each individual risk policy, a copy of the premium worksheet must be included in the filing packet. The premium worksheet is for the manual rate that would have applied if the risk could be so rated. If the risk cannot be manually rated, the premium worksheet can be omitted.

### **Consent-to-Rate Filing**

Consent-to-Rate is a procedure whereby a risk which is not acceptable at filed rates may be written at rates above those filed. The insured must sign a statement/letter consenting to the higher rates and provide a reason for this process being used.

The following guidelines should assist a filer with consent-to-rate filings:

- ◆ A consent-to-rate filing must be submitted to the commissioner.
- ◆ Although no statutory time frame is defined, the OPC considers a submission within sixty (60) days after the effective date of the policy to be reasonable.
- ◆ Consent-to-rate property filings must be approved by the commissioner. Upon receipt, property consent-to-rate filings for personal lines will be acknowledged. Property consent-to-rate filings for commercial filings will be reviewed by the OPC. An action letter will be issued by the OPC.
- ◆ All liability consent-to-rate filings are handled administratively. OPC staff will issue a letter of acknowledgement.

The consent-to-rate filing packet should include the following:

1. A cover letter from the insurer, on company letterhead, submitting the consent-to-rate filing to the OPC. A single filing packet can contain more than one consent-to-rate policy. In this case, the cover letter from the insurer must include a listing of policy numbers included in the filing packet;
2. A stamped, self-addressed return envelope;
3. For each consent-to-rate policy included in the filing packet, the original of the Consent-to-Rate application must be submitted. The Consent-to-Rate application must be from the insured to the insurer and clearly illustrate the consented rate. Both the insured and a representative of the insurance company must sign the Consent-to-Rate application. The Consent-to-Rate can be on the insured's letterhead or a blank (i.e., no



letterhead) sheet of paper. The Consent-to-Rate application must not be on insurer letterhead.

4. For each consent-to-rate policy included in the filing packet, the Consent-to-Rate Letter must contain:
  - ◆ The name of the insured;
  - ◆ The name of the insurer writing the risk;
  - ◆ The line of business;
  - ◆ If applicable, the sub-line or program under which the policy is written;
  - ◆ The policy number;
  - ◆ The policy effective date;
  - ◆ The policy term;
  - ◆ The manual premium;
  - ◆ The consented premium;
  - ◆ The reason that the policy is consent-to-rated.
7. For each consent-to-rate policy included in the filing packet, a copy of the declaration page must be submitted, along with one signed Consent-to-Rate form with original signatures.
8. For each consent-to-rate policy included in the filing packet, a copy of the premium worksheet must be submitted. The premium worksheet is for the manual rate that would have applied if the risk could be so rated. If the risk cannot be manually rated, the premium worksheet can be omitted. In this case, the Consent-to-Rate for that policy should state this as a reason.

If all of the above information is not furnished, OPC staff will send a letter requesting the missing information. The consent-to-rate filing will be placed in abeyance and will not be approved until the information is received. During this time, the insurer is subject to all applicable insurance laws regarding the use of approved rates and rules.

All materials furnished in a consent-to-rate filing packet will be retained by the OPC.

## MISCELLANEOUS FILING REQUIREMENTS

### A-Rated Programs

A-Rates are rates that are not backed up by loss experience statistics. They are based on the judgment of the underwriter on an individual risk basis. They can be written broadly (Example: "We intend to write this program on an "A" Rated basis") or with a guide that indicates specific premium for each coverage. If an insured uses a guide, it must use the specific premium and

cannot use a sliding range. An insurer must also actuarially support/justify the premiums indicated in the guide.

While rates need not be indicated as they will be negotiated, the cover letter should explain that the entire program will be A-Rated. Manual pages should also be included with the filing when submitted.

### **Installment Plan**

This section applies to installment plans and direct bill plans that charge a nominal fee to process billing. All installment plan filings are to be submitted separately. If the plans are included in another rate or rule filing, the filer will receive a letter from OPC staff asking that the filing be amended to exclude the installment plan and direct bill plan and make such filing under separate cover.

The OPC has established the following installment plan guidelines for personal lines coverage. A filer can expedite the approval of an installment plan by adhering to these guidelines. To the extent that these guidelines are not met, the filer should be prepared to discuss with the OPC staff, in detail, the proposed plan and how exceptions to these guidelines will benefit the Louisiana consumer.

1. An initial filing or revision to an installment plan must provide adequate support for the proposed installment charge. Support can include statistical, actuarial or other experience in support of the proposed charge.
2. For personal lines, the OPC finds that a maximum of eleven (11) installment payments per 12-month period is reasonable. Further, the OPC finds that a maximum charge of \$6.00 per installment totaling \$66.00 annually is reasonable.
3. For commercial lines, the OPC finds that a maximum of eleven (11) installment payments per 12-month period is reasonable. Further, the OPC finds that a maximum charge of \$10.00 per installment totaling \$110.00 annually is reasonable.
4. Installment plans must comply with all Louisiana statutes.
5. If a filer requests installment charges outside these guidelines, the filer should be prepared to receive disapproval for the proposed program.

### **Risk Purchasing Group**

If a filing refers to a risk purchasing group, the following information should be included in the cover letter:

1. A statement that a risk purchasing group will use the rates and rules.
2. The name of the risk purchasing group the filing is targeted toward.
3. A statement verifying that the proposed rates were discussed with, negotiated with or agreed to by the risk purchasing group.

\*Note that a purchasing group must be licensed in the state of Louisiana to do business before rate/rules are submitted to the Office of Property & Casualty.

### **Terrorism Filings**

As outlined in Bulletin 02-03 and 08-07, if an insurer relies on an advisory organization to file loss costs and related rating systems on its behalf, no rate filing is required unless an insurer plans to use a different loss cost multiplier than the multiplier currently on file for coverage of certified losses. The rate filings should provide sufficient information for the reviewer to determine what price would be charged to a business seeking to cover certified losses. Louisiana will accept filings that contain a specified percentage of premium to provide for coverage for certified losses. Insurers may also choose to use rating plans that take into account other factors such as geography, building profile, proximity to target risks and other reasonable rating factors. The insurer should state in the filing the basis that it has for selection of the rates and rating systems that it chooses to apply. The supporting documentation should be sufficient for the reviewer to determine if the rates are excessive, inadequate or unfairly discriminatory. Terrorism filings can only be filed for commercial products.

### **Wrap Up Program Filings**

Wrap-up insurance is a policy that covers exposures for a large group. Each member of the group is connected to other members by one or more common insuring characteristics. For example, wrap-up insurance can be written for all the various businesses working together on a special project. Wrap-up insurance includes owner controlled insurance programs.

Wrap-up insurance rates and rules must be filed with and approved by the OPC before they can be used in Louisiana. A wrap-up insurance filing must adhere to directives contained in all LDOI/OPC Bulletins and must conform to all Louisiana Statutes.

To avoid unnecessary delays in the approval process, a wrap-up insurance filing must consider the following:

1. Louisiana Revised Statute 23:1174.1 prohibits a wrap-up insurance program which discriminates "based upon the contractor's or subcontractor's securing the employer's workers compensation obligation by any method provided for in R.S. 23:1168."
2. A wrap-up insurance program must neither take away nor reduce the right and ability for the individual contractor to choose the best method to insure the individual contractor's risk.
3. A wrap-up insurance program must allow for coordination of coverages between the wrap-up policy and the individual contractor policies without placing a burden upon the individual contractor or the contractor's chosen insurer. A burden can exist when the wrap-up policy results in duplicate coverages or higher costs to the individual contractor.

\* Note that the rates cannot include ongoing maintenance and must be filed for each different location. Each separate program must have its own beginning and ending date.

## ADDITIONAL USEFUL INFORMATION

### Title 22 Concordance Table

Pursuant to Act 415, effective January 1, 2009, Title 22 of the Louisiana Revised Statutes was re-designated into a new format and number scheme. The Louisiana Department of Insurance's Product Filing Matrix has been updated, as well as the LDOI's form letters. The new version of Title 22 of the Louisiana Revised Statutes is available on the Louisiana Legislative website at [www.legis.state.la.us](http://www.legis.state.la.us). A Concordance Table has been developed and it can be accessed from our website at <http://www.lidi.state.la.us/title22/Title22ConcordanceTable.pdf>.

### Product Coding Matrix (PCM)

The LDOI has moved to using SERFF's Product Coding Matrix (PCM) in SERFF effective February 13, 2009. For detailed information on which Statement of Compliance to use from LDOI's Product Filing Matrix (PFM) for each SERFF PCM product, please see the "P&C Products LDOI PFM Match to SERFF PCM Current 2-13-09" spreadsheet in the following link (Excel version may be easier to read).

[http://www.lidi.state.la.us/LDIPolicyMatrix/whatsnew/PC\\_SERFF.htm](http://www.lidi.state.la.us/LDIPolicyMatrix/whatsnew/PC_SERFF.htm)

This spreadsheet also provides information regarding filing requirements for both rates/rules and forms, exceptions, certified form products, and lined of authority needed for each product.

### Public Records Requests

Upon written request from the company, printed copies of approved rate/rule filings may be obtained at a charge of \$0.25 per page. Requests can also be made via the DOI's website ([www.lidi.state.la.us](http://www.lidi.state.la.us)) under the "Ask a Question" link. An invoice will be provided and printed copies must be paid for prior to mailing. **Payment must be in the form of a check or money order payable to the Louisiana Department of Insurance within fifteen (15) days of receipt of the invoice.** Cash and credit cards cannot be accepted.

Requests are handled on a first come first serve basis. A request for multiple filings and/or a large number of requests may delay an invoice. If you have not received an invoice within a week of your request, please contact the OPC at (225) 342-5203.

The requestor may ask for the copy request to be emailed to him/her. There will be no charge for copies provided via email.

Please be specific with your request and verify with OPC staff that the copies you are requesting are exactly what you need and that the amount you will be charged is acceptable.

Anyone wishing to review filings at our Department should make an appointment by calling (225) 342-5203.

### **Filing Seminar**

The LDOI holds an annual filing seminar as a resource tool for all companies. Your attendance is encouraged and appreciated. The seminar provides filers with the necessary tools that will expedite the review process for their filings. Please contact the LDOI at (225) 342-5203 for additional information.

## **LDOI/OPC EXHIBITS AND COMPONENTS**

This section provides a description of exhibits and components to be included in rate and rule filings. The following explanation and instructions are intended to assist the filer in compiling a filing packet and should expedite the approval process. However, the OPC realizes that a filer may need assistance or require special consideration in order to provide the OPC with the requested information. Questions regarding content or format should be directed to OPC staff.

This section includes special OPC exhibits for personal lines that may be required to be included in a filing. Guidance as to whether to include these exhibits in a filing packet is found in the narrative of this document. Note that electronic versions of the data exhibits are available from the Louisiana Department of Insurance's web site (<http://www.ldi.state.la.us/agenda/index.cfm>).

### **Cover Letter**

The cover letter for paper and CRAFT submission should be constructed as follows:

1. The cover letter should be sent to the attention of the Deputy Commissioner of the Office of Property and Casualty.
2. The letter must be on official company or company group letterhead that includes the return address.
3. The reference lines of the cover letter should include the following:
  - a. Filer (name of company or companies affected by the filing).
  - b. Line of Business (use annual statement, page 15, as a guide) or Louisiana Product Code

- ◆ It is advised that individual lines of business be filed separately. If multiple lines of business are included within a single filing, the OPC may request that they be separated.
  - c. If the entire line of business is not affected by the filing, name the sub-program that the filing pertains to.
  - d. If applicable, the risk purchasing group on whose behalf the filing is made.
  - e. The company's filing reference number.
- Note: It is advised that unrelated programs be filed separately.
4. The body of the cover letter should include:
    - a. A brief statement as to the purpose of the filing. If the filing has been submitted to replace an existing filing, changes to the previously approved program should be clearly documented in the filing memorandum.
    - b. The company should specify whether the filing is for a mono line program, a package program, or for both mono line and package programs. All filings are required to be submitted on a per program (mono line), per line of business basis. The company should file a program as a package when it will be applying a modifier. If the company will be using the same rates for both the mono line program and the package program, the company must submit the filing as mono line and state "this filing may also be used as a package program with the same rates and no modifications".
  5. The signature section of the cover letter must include the contact person's name, signature, phone number, fax number and e-mail address.
    - ◆ Please note that a filing submitted via SERFF shall include a detailed explanation in the filing description which states that it is the company's intent to file under the prior approval provision. A thorough explanation of the filing should also be provided.

### **Louisiana Experience Underlying Revision**

OPC Exhibit A.1 – A worksheet that illustrates the historical experience for the program affected by the filing.

- ◆ Exhibit A.1 should be completed, regardless of how much business volume the filer has in Louisiana for the program. If no business has been written, place zeros (0) on the appropriate lines of the exhibit.
- ◆ The exhibit should reflect the most current five (5) years of experience. When filings are submitted between the months of April and December, the company must use the previous calendar year end as its most current year.

## **Countrywide Experience Underlying Revision**

OPC Exhibit A.2 – A worksheet that show historical experience for the program affected by the filing.

- ◆ Exhibit A.1 should be completed, regardless of how much business volume the filer has countrywide for the program. If no business has been written, place zeros (0) in the appropriate lines of the exhibit.
- ◆ The exhibit should reflect the most current five (5) years of experience. When filings are submitted between the months of April and December, the company must use the previous calendar year end as its most current year.

## **Actuarial Checklist – Company Portion**

OPC Exhibit B - A tool used by both the insurer and the regulatory staff to verify that the filing has all of the requisite actuarial supporting documents.

## **Adoption of Loss Costs**

OPC Exhibit C – Louisiana Loss Costs Multiplier Worksheet – Lines Other Than Workers’ Compensation should be completed, for lines other than workers’ compensation, when a filer is adopting or modifying a rating organization’s loss cost filing and is using an LCM without an expense constant.

- ◆ Use Exhibit C to adopt loss costs without an expense constant.
- ◆ Use Exhibit C-WC to adopt loss costs with an expense constant.

OPC Exhibit C-WC – Louisiana Loss Cost Multiplier Worksheet – Workers’ Compensation should be completed, only for a workers’ compensation rate filing, when a filer is adopting or modifying a rating organization’s workers’ compensation loss cost multipliers and/or factor and is using an LCM with an expense constant.

## **Private Passenger Automobile Rating Illustration**

OPC Exhibit D.1 – Private Passenger Automobile Rating Illustration is a comparison of the company’s rates for seven (7) risk classifications in fourteen (14) Louisiana cities.

- ◆ The OPC requires Exhibit D.1 for all rate revisions for private passenger automobile coverage.

## **Homeowners Rating Illustration**

OPC Exhibit E.1 – Homeowners Rating Illustration is a comparison of the company’s rates for five (5) risk classifications in fourteen (14) Louisiana cities.

- ◆ The OPC requires Exhibit E.1 for all rate revisions for homeowner's coverage. Louisiana Operating Ratios for Personal Lines Only

### **Louisiana Operating Results**

OPC Exhibit F - Louisiana Operating Results is an operating exhibit. It reflects the insurer's profit or loss on business written in Louisiana.

- ◆ The OPC **may** request Exhibit F when a company has Louisiana earned premium exceeding \$6 million, in aggregate, over the most recent three (3) calendar years.
- ◆ Exhibit F should reflect direct business only (i.e., not including any reinsurance). This includes reinsurance with third parties, as well as inter-company pooling arrangements within a company group.
- ◆ Exhibit F premium and loss experience should only reflect business affected by the filing. If this is not feasible, the filer should provide Exhibit F experience for the closest line or sub-line available and note this fact on the exhibit.
- ◆ Exhibit F expense and income experience should reflect only the Louisiana business affected by the filing. If necessary, Louisiana expenses or income can be approximated from data aggregated at a higher level. Examples are: countrywide experience, group experience, or annual statement line of business. If Louisiana expenses or income is approximated, it should be noted on the exhibit.
- ◆ If more than one company is represented in the filing, Exhibit F should reflect the consolidated experience of all companies named in the filing. Though acceptable, Exhibit F can be submitted for each company individually as long as a consolidated Exhibit F is provided.
- ◆ Exhibit F must include the most current 10 years of information. When filings are submitted between the months of April and December, the company must use the previous calendar year end as its most current year.

### **Louisiana Rate Revision Questionnaire**

OPC Exhibit H - Louisiana Rate Revision Questionnaire breaks down the overall statewide average rate revision, by filing, into a distribution of policyholders across percent change increments.

- ◆ Exhibit H **must** be submitted with all private passenger automobile, homeowner and medical professional liability rate revision filings.
- ◆ For **all other lines of business**, Exhibit H must be submitted **upon request** of LDOI.
- ◆ Each increment represents the number of policyholders who would realize a change in premium within the incremental percentage range. The



increments flow from the minimum realized change to the maximum realized change in 5-point ranges.

- ◆ When measuring the percent change on policyholder premiums, all proposed changes must be considered. This includes, but is not limited to, changes in base premiums, policy fees, limit tables, deductibles, etc.
- ◆ The distribution should reflect the filer's current book of business. If an accurate measure is not feasible, an estimate can be submitted. However, if estimates are used, the documentation should clearly reflect this fact.

### **Louisiana Rate Revision Questionnaire by Territory**

OPC Exhibit I – Louisiana Rate Revision Questionnaire by Territory displays, in tabular form, the effect that the overall statewide rate revision will have on each of the insurer's territories.

- ◆ Exhibit I **must** be completed for all private passenger automobile and homeowners filings.
- ◆ For **all other lines of business**, Exhibit I must be submitted **upon departmental request**.
- ◆ Exhibit I **must** be completed for each company included in the filing.

### **Louisiana Medical Malpractice Filing Questionnaire**

OPC Exhibit J – Louisiana Medical Malpractice Filing Questionnaire displays, in tabular form, the effect that the overall statewide rate revision will have on each of the insurer's medical professional liability classifications.